

To: Senator Mike Nofs, Chairman, and
Members of the Senate Energy and Technology Committee

From: Bill Malcolm, Senior Legislative Representative, AARP
Melissa Seifert, Associate State Director for Government Affairs, AARP Michigan

Date: May 5, 2016

Re: Senate Bill 437 (S-2)

Thank you for the opportunity to provide this testimony on behalf of AARP Michigan to explain our opposition to SB 437 (S-2).

AARP is a nonprofit, nonpartisan 501(c)(4) organization that advocates on issues that matter the most to people age 50 and over, and their families. AARP has approximately 1.4 million members in Michigan.

Michigan already has the highest residential electricity rates in the Midwest at 14.88 cents per kwh. We are concerned that this legislation will exacerbate the problem.

This issue is of particular importance to older Michiganders. On average, utility bills account for about 7% of a household's expenses, according to the U.S. Bureau of Labor Statistics. However, among individuals 65 and over, utility bills account for about 12% of total expenses. Older adults are also more likely to live on fixed incomes, and the Social Security Cost of Living Adjustment (COLA) for 2016 was zero.

While Michigan may have a modest resource need, the state should learn from the past and not pre-authorize mechanisms that fast-track expensive generation spending via pre-approvals, recovery of forecast costs or financing costs before the asset is in service. Further, non-generation solutions may be less impactful on rates.

AARP's additional comments and concerns are as follows:

- We do support the creation of a well-funded utility consumer protection board.

- We oppose putting into state law the 75/25 cost allocation which harms residential customers who have already been burdened by paying more than their fair share of electric rate increases.
- We oppose CWIP and recovery of financing costs before an asset is in service. Similar plans in South Carolina and Georgia have caused rates to soar and plant construction costs have doubled. Too much risk is shifted to the ratepayer.
- We oppose decoupling, which is single-issue ratemaking and raises rates to offset drops in sales. Again, it causes frequent rate increases with no commensurate benefit.

We appreciate the opportunity to provide these comments on behalf of AARP and Michigan consumers, and urge the committee to focus on making electricity more affordable. If you have any questions or if there is further information we can provide, please feel free to contact Melissa Seifert at 517-267-8934 or mseifert@AARP.org.

AARP is a nonprofit, nonpartisan 501(c)(4) social welfare organization that helps people turn their goals and dreams into real possibilities, strengthens communities, and fights for the issues that matter most to people age 50 and over and their families, such as healthcare, employment and income security, affordable utilities, retirement planning and protection from abuse. AARP has approximately 1.4 million members in Michigan. AARP does not endorse candidates for public office or make contributions to political campaigns or candidates.